

CITY OF FAIRFAX

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2008

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CITY OF FAIRFAX

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
William Voss	Mayor	2008
Marianne Wainwright	Mayor Pro tem	2010
Marc Magers	Council Member	2008
Cheryl Scott	Council Member	2008
Jo Ann Beer	Council Member	2010
Bernie Frieden	Council Member	2010
Nancy Flickinger	Finance Administrator	2008
Vickie Kindl	City Clerk	2008
Randy Scholer	Attorney	2008
(After December 2007)		
William Voss	Mayor	2012
Marianne Wainwright	Mayor Pro tem	2010
Jo Ann Beer	Council Member	2010
Bernie Frieden	Council Member	2010
Marc Magers	Council Member	2012
Jason Rabe	Council Member	2012
Nancy Flickinger	Finance Administrator	2009
Vickie Kindl	City Clerk	2009
Randy Scholer	Attorney	2009

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fairfax, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Fairfax's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the Standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fairfax as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2008 on our consideration of the City of Fairfax's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 25 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfax's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which is not presented herein) and expressed qualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa

December 1, 2008

Dietz, Donald & Company
Dietz, Donald and Company, CPAs
FEIN 42-1172392

City of Fairfax

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Fairfax provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 31.5%, or approximately \$ 567,000 from fiscal 2007 to fiscal 2008. Property tax increased approximately \$ 227,000, but note proceeds decreased \$ 798,000.

Disbursements of the City's governmental activities increased 32.9%, or approximately \$ 596,000 in fiscal 2008 from fiscal 2007. Public works and debt service disbursements increased approximately \$ 140,000, and \$ 1.325 million respectively. This was somewhat offset by a \$ 836,000 decrease in culture and recreation disbursements.

The City's total cash basis net assets decreased 11%, or approximately \$ 135,000 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased approximately \$ 123,000 and the assets of the business type activities decreased approximately \$ 12,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's long-term debt.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system and solid waste disposal. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago from \$ 797,000 to \$ 674,000. The analysis that follows focuses on the changes in cash basis net assets from governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Receipts:		
Program receipts:		
Charges for service	\$ 155	154
Operating grants, contributions and restricted interest	187	183
General receipts:		
Property tax	867	639
Local option sales tax	-	10
Unrestricted interest on investments	20	13
Note proceeds	-	798
Other general receipts	6	13
Total receipts	<u>1,235</u>	<u>1,810</u>
Disbursements:		
Public safety	109	138
Public works	329	189
Culture and recreation	140	977
Community and economic development	15	21
General government	168	165
Debt service	<u>1,647</u>	<u>322</u>
Total disbursements	<u>2,408</u>	<u>1,812</u>
Change in cash basis net assets before transfers	(1,173)	(2)
Transfers, net	<u>1,050</u>	<u>(4)</u>
Change in cash basis net assets	(123)	(6)
Cash basis net assets beginning of year	<u>797</u>	<u>803</u>
Cash basis net assets end of year	<u>\$ 674</u>	<u>797</u>

The City's total receipts for governmental activities decreased 31.5%, or approximately \$ 567,000. The total cost of all programs increased approximately \$ 596,000, or 32.9%. The increase in disbursements was primarily due to refinancing of \$ 1.60 million of general obligation debt. The significant decrease in receipts was primarily the result of proceeds received from the issuance of debt to purchase 52 acres of farmland in 2007.

The City property tax rates remained unchanged in 2008. However, increased valuations raised the City's property tax receipts \$ 228,000 in 2008. Based on increases in both the property tax rate and the total assessed valuation, property tax receipts are budgeted to increase by an additional \$ 45,000 next year.

The cost of all governmental activities was \$ 2.408 million compared to \$ 1.812 million last year. However, as shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers ultimately financed for these activities was only \$ 2.066 million because some of the cost was paid by those directly benefited from the programs (\$ 155,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 187,000). Overall, the City's governmental program activities receipts, including intergovernmental aid and fees for service increased in 2008 from approximately \$ 337,000 to approximately \$ 342,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$ 867,000 in tax (some of which could only be used for certain programs), \$ 1,050,000 in a transfer of note proceeds and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 150	140
Sewer	200	172
Garbage	80	75
Operating grants	7	-
General receipts:		
Unrestricted interest on investments	13	7
Bond and note proceeds	1,754	1,954
Other general receipts	9	9
Total receipts	<u>2,213</u>	<u>2,357</u>
Disbursements:		
Water	140	190
Sewer	947	2,932
Garbage	88	67
Total disbursements	<u>1,175</u>	<u>3,189</u>
Change in cash basis net assets before transfers	1,038	(832)
Transfers, net	<u>(1,050)</u>	<u>4</u>
Change in cash basis net assets	(12)	(828)
Cash basis net assets beginning of year	<u>406</u>	<u>1,234</u>
Cash basis net assets end of year	<u>\$ 394</u>	<u>406</u>

Total business type activities receipts for the fiscal year were \$ 2.213 million compared to \$ 2.357 million last year. The decrease was due primarily to a \$ 200,000 decrease in bond and note proceeds. The cash balance decreased by \$ 12,000 from the prior year. Total disbursements for the fiscal year decreased 63.2% to a total of \$ 1.175 million due to the near completion of the new wastewater treatment facility in 2007.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Fairfax completed the year, its governmental funds reported a combined fund balance of \$ 673,931, a decrease of approximately \$ 123,000 below last year's total of \$ 796,892. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$ 110,341 from the prior year to \$ 506,241. An increase in public works disbursements of \$ 87,361 accounts for most of the decrease in cash balance.

The Special Revenue, Urban Renewal Tax Increment Fund was established previously to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$ 111,326 slightly more than the previous years balance of \$ 92,824. Receipts in the fund are being used to retire debt acquired from extending infrastructure and purchasing land in the urban renewal district. Tax increment financing receipts increased \$ 294,853 to \$ 572,680 in 2008.

The Debt Service Fund retired \$ 1,505,000 of outstanding debt and paid \$ 141,738 of interest on the outstanding general obligation debt. The Debt Service Fund received \$ 42,560 from the General Fund, \$ 554,178 from the Special Revenue, Urban Renewal Tax Increment Fund, and \$ 1,050,000 from the Enterprise, Sewer Fund in transfers to cover debt service payments.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased \$ 20,642 due primarily to an increase in the sale of water.

The Sewer Fund cash balance increased \$ 8,587 to \$ 274,852.

The Garbage Fund cash balance decreased \$ 40,985 to \$ 33,362 due primarily to a transfer of \$ 32,381 to the Sewer Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year the City amended its budget two times. The first amendment was approved on March 11, 2008 and resulted in an increase in operating disbursements related to the refinancing of debt of

\$ 1,196,000. The second amendment was approved on May 28, 2008 to increase disbursements \$ 68,399 and move the refinancing to the proper function.

The City's receipts were \$ 19,868 less than budgeted, primarily due to the City receiving less in sewer and water charges for service than anticipated, even after the amendments.

Total disbursements were \$ 627,139 less than the final amended budget. Actual disbursements for public safety, general government and business type activities functions were \$ 65,310, \$ 68,133 and \$ 351,447 respectively, less than the final amended budget. This was primarily due to delays in the completion of the new wastewater treatment facility until 2008.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$ 5,838,591 in long-term debt outstanding, compared to \$ 5,517,560 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2008	2007
General obligation notes	\$ 3,375	3,540
Revenue bonds	2,390	1,978
Lease/purchase agreement	74	
Total	<u>\$ 5,839</u>	<u>5,518</u>

Debt increased as a result of issuing additional revenue bonds for completion of a new wastewater treatment facility.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 3,449,000 is significantly below its constitutional debt limit of \$ 5,566,720.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Fairfax's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various City activities. One of these factors is the economy. The City has experienced nearly an 85% increase in

population from 2000 to 2005. This growth would appear to be continuing as the City added an additional 51 water customers in fiscal 2008. Severe flooding in Cedar Rapids in June, 2008 may create an additional influx of residents to the City.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$ 1.8 million, a decrease of 50% from the final 2008 budget. Property tax (benefiting from the 2008 rate increases and increased in assessed valuations) and proceeds from the urban renewal tax increment financing will increase \$ 99,000. However, receipts from issuing long-term debt are expected to decrease by nearly \$ 1.837 million. Without the long-term debt refinancing that occurred in 2008, debt service disbursements are expected to decrease \$ 1.049 million. The City has added no major new programs or initiatives to the 2009 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 388,000 by the close of 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Nancy Flickinger, Finance Administrator, 525 Vanderbilt Street, Fairfax, Iowa 52228-0337.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF FAIRFAX
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2008

Functions/Programs:	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	
Governmental activities:				Governmental Activities
Public safety	\$ 108,726	68,778	21,869	(18,079)
Public works	328,941	-	150,960	(177,981)
Culture and recreation	140,321	46,754	8,756	(84,811)
Community and economic development	15,043	-	5,356	(9,487)
General government	167,781	38,995	19	(128,767)
Debt service	1,646,728	-	-	(1,646,728)
Total governmental activities	2,407,550	154,527	187,160	(2,065,863)
Business type activities:				Business Type Activities
Water	139,869	150,243	998	11,372
Sewer	946,510	200,267	5,990	(740,253)
Garbage	88,256	79,652	-	(8,604)
Total business type activities	1,174,635	430,162	6,988	(737,485)
Total	\$ 3,582,185	\$ 584,689	\$ 194,148	(2,065,863)
General Receipts:				
Property and other city tax levied for:				
General purposes				293,911
Tax increment financing				572,680
Unrestricted interest on investments				32,524
Bond and note proceeds				1,754,075
Miscellaneous				15,441
Transfers				2,668,631
Total general receipts and transfers				(134,717)
Change in cash basis net assets				405,681
Cash balances beginning of year				1,202,573
Cash balances end of year				\$ 1,067,856
Restricted:				
Streets				56,364
Urban renewal purposes				111,327
Library				17,568
Fire department				18,964
Debt service				28,476
Other purposes				22,350
Unrestricted				812,007
				\$ 673,925
				\$ 1,067,856

See notes to financial statements.

CITY OF FAIRFAX
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2008
 Exhibit B

	Special Revenue				Total
	General	Urban Renewal Tax Increment	Debt Service	Nonmajor	
Receipts:					
Property tax	\$ 258,720	-	-	-	258,720
Tax increment financing	-	572,680	-	-	572,680
Other city tax	32,029	-	-	-	32,029
Licenses and permits	35,845	-	-	-	35,845
Use of money and property	20,533	-	-	-	20,533
Intergovernmental	129,323	-	-	142,388	271,711
Charges for service	6,271	-	-	-	6,271
Miscellaneous	36,800	-	-	-	36,800
Total receipts	519,521	572,680	-	142,388	1,234,589
Disbursements:					
Operating:					
Public safety	108,726	-	-	-	108,726
Public works	170,653	-	-	158,288	328,941
Culture and recreation	140,321	-	-	-	140,321
Community and economic development	15,043	-	-	-	15,043
General government	167,781	-	-	-	167,781
Debt service	-	-	1,646,738	-	1,646,738
Total disbursements	602,524	-	1,646,738	158,288	2,407,550
Excess (deficiency) of receipts over (under) disbursements	(83,003)	572,680	(1,646,738)	(15,900)	(1,172,961)
Other financing sources (uses):					
Operating transfers in	15,222	-	1,646,738	-	1,661,960
Operating transfers out	(42,560)	(554,178)	-	(15,222)	(611,960)
Total other financing sources (uses)	(27,338)	(534,178)	1,646,738	(15,222)	1,050,000
Net change in cash balances	(110,341)	18,502	-	(31,122)	(122,961)
Cash balances beginning of year	616,582	92,824	-	87,486	796,892
Cash balances end of year	\$ 506,241	111,326	-	56,364	673,931
Cash Basis Fund Balances					
Unreserved:					
General fund	\$ 506,241	-	-	-	506,241
Special revenue funds	-	111,326	-	56,364	167,690
Total cash basis fund balances	\$ 506,241	111,326	-	56,364	673,931

See notes to financial statements.

CITY OF FAIRFAX
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2008

	Enterprise			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 150,243	200,267	79,652	430,162
Operating disbursements				
Business type activities	139,869	147,189	88,256	375,314
Excess (deficiency) of receipts over (under) disbursements	10,374	53,078	(8,604)	54,848
Non-operating receipts (disbursements):				
Intergovernmental	998	5,990	-	6,988
Interest on investments	-	12,384	-	12,384
Miscellaneous	9,270	-	-	9,270
Bond and note proceeds	-	1,754,075	-	1,754,075
Debt service	-	(103,240)	-	(103,240)
Capital projects	-	(696,081)	-	(696,081)
Net non-operating receipts (disbursements)	10,268	973,128	-	983,396
Excess (deficiency) of receipts over (under) disbursements	20,642	1,026,206	-	1,038,244
Other financing sources (uses):				
Operating transfers in	-	32,381	-	32,381
Operating transfers out	-	(1,050,000)	(32,381)	(1,082,381)
Net other financing sources (uses)	-	(1,017,619)	(32,381)	(1,050,000)
Net change in cash balances	20,642	8,587	(40,985)	(11,756)
Cash balances beginning of year	65,069	266,265	74,347	405,681
Cash balances end of year	\$ 85,711	274,852	33,362	393,925
Cash Basis Fund Balances:				
Reserved for debt service	\$ -	28,476	-	28,476
Unreserved	85,711	246,376	33,362	365,449
Total cash basis fund balances	\$ 85,711	274,852	33,362	393,925

See notes to financial statements.

CITY OF FAIRFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Fairfax is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1936 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Fairfax has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Linn County Assessor's Conference Board, City Assessor's Conference Board, Linn County Emergency Management Commission, and Linn County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Garbage Fund accounts for the operation of the City's solid waste collection program.

C. Measurement Focus and Basis of Accounting

The City of Fairfax maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City. At June 30, 2008, the City had invested in certificates of deposit with maturities ranging from 61 to 365 days.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 470,000	124,268	5,000	71,700	475,000	195,968
2010	520,000	100,738	5,000	71,550	525,000	172,288
2011	540,000	83,617	5,000	71,400	545,000	155,017
2012	340,000	65,380	118,000	71,250	458,000	136,630
2013	340,000	54,380	122,000	67,710	462,000	122,090
2014-2018	1,045,000	117,791	665,000	281,550	1,710,000	399,341
2019-2023	120,000	8,040	771,000	175,590	891,000	183,630
2024-2027	-	-	699,000	53,010	699,000	53,010
Total	\$ 3,375,000	554,214	2,390,000	863,760	5,765,000	1,417,974

(4) Other Long-Term Debt

Annual debt service requirements to maturity for other long-term debt is as follows:

Year Ending June 30,	Lease-purchase agreement	
	Principal	Interest
2009	\$ 10,320	4,040
2010	10,886	3,474
2011	11,484	2,876
2012	12,115	2,245
2013	28,786	1,580
Total	\$ 73,591	14,215

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. The City's contributions to IPERS for the years ended June 30, 2008 and 2007 were \$ 16,339 and \$ 12,268, respectively, equal to the required contributions for each year.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Visioning	\$ 15,222
Debt Service	General	42,560
	Special Revenue	
	Urban Renewal Tax Increment	554,178
	Enterprise: Sewer	1,050,000
		1,646,738
Enterprise: Sewer	Enterprise: Garbage	32,381
Total		\$ 1,694,341

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$ 21,025.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in either of the past two fiscal years.

(9) Commitments

At June 30, 2008, the City had a commitment on an uncompleted construction contract of \$ 39,966, relating to the wastewater treatment plant.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRFAX
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 258,720	-	258,720	258,832	258,832	(112)
Tax increment financing						
collections	572,680	-	572,680	554,178	554,178	18,502
Other city tax	32,029	-	32,029	28,599	28,599	3,430
Licenses and permits	35,845	-	35,845	44,400	44,400	(8,555)
Use of money and property	20,533	12,384	32,917	19,496	19,496	13,421
Intergovernmental	271,711	6,988	278,699	249,500	279,500	(801)
Charges for service	6,271	430,162	436,433	414,250	474,256	(37,823)
Miscellaneous	36,800	9,270	46,070	7,000	54,000	(7,930)
Total receipts	1,234,589	458,804	1,693,393	1,576,255	1,713,261	(19,868)
Disbursements:						
Public safety	108,726	-	108,726	174,036	174,036	65,310
Public works	328,941	-	328,941	380,147	390,147	61,206
Culture and recreation	140,321	-	140,321	156,477	196,477	56,156
Community and economic development	15,043	-	15,043	14,781	39,530	24,887
General government	167,781	-	167,781	245,914	235,914	68,133
Debt service	1,646,738	-	1,646,738	596,738	1,646,738	351,447
Business type activities	-	1,174,635	1,174,635	612,832	1,526,082	627,139
Total disbursements	2,407,550	1,174,635	3,582,185	2,180,925	4,209,324	607,271
Deficiency of receipts under disbursements	(1,172,961)	(715,831)	(1,888,792)	(604,670)	(2,496,063)	(82,560)
Other financing sources, net	1,050,000	704,075	1,754,075	-	1,836,635	-
Deficiency of receipts and other financing sources under disbursements and other						
financing uses	(122,961)	(11,756)	(134,717)	(604,670)	(659,428)	492,866
Balances beginning of year	796,892	405,681	1,202,573	709,707	709,707	1,017,577
Balances end of year	\$ 673,931	\$ 393,925	\$ 1,067,856	\$ 105,037	\$ 50,279	\$ -

See accompanying independent auditor's report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$ 2,028,399. The budget amendments are reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF FAIRFAX
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2008

	<u>Special Revenue</u>		
	<u>Road</u>		
	<u>Use</u>		
	<u>Tax</u>	<u>Visioning</u>	<u>Total</u>
Receipts:			
Intergovernmental	\$ 142,388	-	142,388
Disbursements:			
Operating:			
Public works	158,288	-	158,288
Deficiency of receipts under disbursements	(15,900)	-	(15,900)
Other financing uses:			
Operating transfers out	-	(15,222)	(15,222)
Net change in cash balances	(15,900)	(15,222)	(31,122)
Cash balances beginning of year	72,264	15,222	87,486
Cash balances end of year	<u>\$ 56,364</u>	<u>-</u>	<u>56,364</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	<u>\$ 56,364</u>	<u>-</u>	<u>56,364</u>

See accompanying independent auditor's report.

Schedule 2

CITY OF FAIRFAX
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2008

Obligation		Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:									
Corporate purpose		Jun 1, 2001	4.60-5.25%	\$ 1,185,000	840,000	-	840,000	-	41,362
Water		Oct 1, 2001	4.00-5.00	450,000	320,000	-	320,000	-	14,658
Corporate purpose		Oct 1, 2001	4.00-5.00	450,000	290,000	-	45,000	245,000	9,520
Corporate purpose		Mar 1, 2003	2.60-3.80	465,000	640,000	-	40,000	600,000	23,972
Wastewater improvement		Dec 1, 2004	2.65-4.50	700,000	650,000	-	70,000	580,000	22,008
Sanitary water improvement		Oct 1, 2005	3.10-3.70	650,000	800,000	-	190,000	610,000	30,218
Urban renewal land acquisition		Oct 15, 2006	3.70-3.85	800,000	-	-	-	800,000	-
Sanitary sewer and refunding		Mar 1, 2008	2.50-3.40	560,000	-	560,000	-	560,000	-
Refunding		Apr 1, 2008	2.70-3.70	780,000	-	780,000	-	780,000	-
Total					\$ 3,540,000	1,340,000	1,505,000	3,375,000	141,738
Revenue bonds:									
Sewer		Dec 1, 2006	3.00%	\$ 2,400,000	1,977,560	417,440	5,000	2,390,000	67,846
Lease/purchase agreement:									
Caterpillar backhoe loader		Feb 12, 2008	5.49%	\$ 87,951	-	87,951	14,360	73,591	-

See accompanying independent auditor's report.

CITY OF FAIRFAX
BOND AND NOTE MATURITIES
June 30, 2008

Schedule 3

General Obligation Notes									
Year	Corporate Purpose	Wastewater Improvement	Sanitary Sewer Improvement	Urban Renewal Land Acquisition	Sanitary Sewer and Refunding	Refunding			
Ending	Issued Mar 1, 2003	Issued Dec 1, 2004	Issued Oct 1, 2005	Issued Oct 15, 2006	Issued Mar 1, 2008	Issued Apr 1, 2008			
June 30,	Interest Rates	Interest Rates	Interest Rates	Interest Rates	Interest Rates	Interest Rates	Amount	Amount	Total
2009	3.00%	2.85%	3.15%	3.75%	2.50%	2.70%	\$ 45,000	\$ 85,000	470,000
2010	3.20	3.05	3.20	3.80	2.50	2.90	50,000	90,000	520,000
2011	3.40	3.25	3.30	3.85	2.50	3.00	50,000	95,000	540,000
2012	3.60	3.40	3.40	210,000	2.80	3.10	60,000	100,000	340,000
2013	3.80	3.55	3.50	85,000	2.80	3.25	65,000	95,000	340,000
2014		3.70	3.60	90,000	3.10	3.40	70,000	100,000	310,000
2015		3.85	3.70	90,000	3.10	3.55	70,000	105,000	315,000
2016		4.00			3.40	3.70	75,000	110,000	240,000
2017		4.15			3.40		35,000		90,000
2018		4.30			3.40		35,000		90,000
2019		4.40							60,000
2020		4.50							60,000
Total		\$ 245,000	\$ 600,000	\$ 580,000	\$ 610,000	\$ 560,000	\$ 780,000		3,375,000

Revenue Bonds									
Year	Sanitary Sewer	Water/Purchased Agreement	Water/Purchased Agreement						
Ending	Issued Dec 1, 2006	Issued Feb 12, 2008	Issued Feb 12, 2008						
June 30,	Interest Rates	Interest Rates	Interest Rates	Amount	Amount	Amount	Amount	Amount	Total
2009	3.00%	5.49%	5.49%	\$ 5,000	\$ 10,320				
2010	3.00	5.49	5.49	5,000	10,886				
2011	3.00	5.49	5.49	5,000	11,484				
2012	3.00	5.49	5.49	118,000	12,115				
2013	3.00	5.49	5.49	122,000	28,786				
2014	3.00			125,000					
2015	3.00			125,000					
2016	3.00			133,000					
2017	3.00			137,000					
2018	3.00			141,000					
2019	3.00			145,000					
2020	3.00			150,000					
2021	3.00			154,000					
2022	3.00			159,000					
2023	3.00			163,000					
2024	3.00			168,000					
2025	3.00			173,000					
2026	3.00			179,000					
2027	3.00			179,000					
Total				\$ 2,390,000	\$ 73,591				

See accompanying independent auditor's report.

CITY OF FAIRFAX
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Last Two Years

	2008	2007
Receipts:		
Property tax	\$ 258,720	316,348
Tax increment financing	572,680	277,827
Other city tax	32,029	54,074
Licenses and permits	35,845	57,387
Use of money and property	20,533	14,044
Intergovernmental	271,711	236,243
Charges for service	6,271	4,215
Miscellaneous	36,800	50,411
Total	<u>\$ 1,234,589</u>	<u>1,010,549</u>
Disbursements:		
Operating:		
Public safety	\$ 108,726	138,184
Public works	328,941	188,875
Culture and recreation	140,321	976,642
Community and economic development	15,043	20,739
General government	167,781	165,366
Debt service	1,646,738	321,970
Total	<u>\$ 2,407,550</u>	<u>1,811,776</u>

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Fairfax, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 1, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Fairfax's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairfax's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceeding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be significant deficiency, which we also consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Fairfax's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Fairfax's financial statements that is more than inconsequential will not be prevented or detected by the City of Fairfax's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Fairfax's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are material weaknesses. However we believe the significant deficiency described above, item I-A-08, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairfax's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Fairfax's responses to findings in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Fairfax's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fairfax and other parties to whom the City of Fairfax may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Fairfax during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

December 1, 2008

Dietz, Donald & Company
Dietz, Donald & Company, CPAs
FEIN 42-1172392

CITY OF FAIRFAX
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-08 - Financial Reporting - As is common in small organizations, the City does not prepare its financial statements, complete with notes, in accordance with U.S. generally accepted accounting principles. Accordingly, the City is unable to, and has not established internal controls over the preparation of financial statements.

Recommendation - As part of the audit, we have been requested to prepare a draft of the City's financial statements, including related notes. The City then performs a review of the financial statements. However, in order to provide improved oversight of the financial preparation services and implement controls over the financial reporting process, the City should establish review policies and procedures including the performance of some or all of the following:

- (1) Review the adequacy of financial statement disclosures.
- (2) Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
- (3) Apply analytical procedures to the draft financial statements.
- (4) Apply other procedures as considered necessary by the City.

Response - We will consider this.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF FAIRFAX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 **Certified Budget** - Disbursements for the year ended June 30, 2008 did not exceed the amounts budgeted.

II-B-08 **Questionable Disbursements** - Certain disbursements, which we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, since the public benefits to be derived have not been clearly documented, were noted.

Paid to	Purpose	Amount
Fareway Stores	Pop, water, groceries	\$ 1,493
ACH	Pop	24
Hungry Hubo	Food items	222

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should evaluate and document the public purpose served by the expenditure before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation surrounding each individual transaction.

Response - The Council will discuss this.

Conclusion - Response accepted.

II-C-08 **Travel Expense** - No disbursements of City money for travel expenses of City officials or employees were noted.

II-D-08 **Business Transactions** - Business Transactions between City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Wendy Voss, wife of mayor	Labor	\$ 215
Marianne Wainwright, Mayor pro tem, employee LL Pelling Co.	E. Southview Road pre-mix	17,104
William Voss, mayor, owner of Voss Welding	Repair labor, parts	3,101
Aaron Voss, son of mayor, owner of Aaron Voss Co.	Wiring building	606

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Mayor's wife and son, do not appear to represent a conflict of interest since total transactions with the individual were less than \$ 2,500. The transactions with the Mayor pro tem do not appear to represent a conflict of interest, since the \$ 15,222 East Southview Road project was entered into through competitive bidding. The transactions with Voss Welding may represent a conflict of interest since the total cumulative transactions with the mayor were greater than \$ 2,500.

Recommendation - The City should consult legal counsel to determine the disposition of payments made to Voss Welding.

Response - We will do this.

Conclusion - Response accepted.

II-E-08 **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- II-F-08 **Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-08 **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-08 **Revenue Bonds** - The City has complied with the provisions of the revenue bond resolutions.